



June 8, 2005

Memorandum

To: Valerie Knepper, James Corless, MTC

From: Shelley Poticha, CTOD, Dena Belzer, Strategic Economics, and GB Arrington, Parsons-Brinckerhoff

Re: Task 6F: Recommended Efforts to Support TOD in the Bay Area

The initial TOD policy framework was prepared and circulated in November 2004 in the form of a draft white paper. Since that time, CTOD and its team of consultants, along with MTC staff, ABAG staff and key stakeholders throughout the region have been working on a set of case studies in Resolution 3434 corridors. We also met with the Transportation and Land Use Committee (TLUC) and the MTC/ABAG/BAAQMD Joint Policy Committee, staged working sessions with local planning officials in the case study corridors, and participated in MTC's Annual Commission Workshop.

The primary aim of this extensive outreach effort was to test the validity of the proposed TOD policy, specifically the ability of local jurisdictions to meet proposed housing and job thresholds for TOD zones, and suggest refinements to these thresholds. Recommendations for refining the thresholds are included in Calthorpe Associates' May 6th memo.

A secondary aim of the case study effort was to evaluate the readiness of transit agencies, local jurisdictions and the development community to deliver high quality, pedestrian-oriented development within walking distance of transit. This memo identifies a set of issues associated with implementation of the Regional TOD Policy and suggests a set of follow-up activities that MTC should consider supporting to ensure that the effort is successful.

State of the Practice in the Bay Area

As a national non-profit entity, CTOD has a unique vantage point on how well the Bay Area is preparing to accommodate TOD. Our work takes us to smaller and larger regions throughout the country that are engaged with TOD, either envisioning alternative regional growth patterns or executing development in station areas.

When we look at the Bay Area, several impressions emerge:

- Our own analysis shows that the region is among the top ten regions in the country in terms of demand for housing near transit.¹ This market-based reality provides a tremendous opportunity to realize the "livability" goals promulgated by MTC and its regional partners.
- Indeed, the future functionality of the region's transportation network assumes a fairly aggressive commitment to TOD. While Resolution 3434 corridors are expected to accommodate roughly 11% of regional growth, existing transit station areas are expected to accommodate an additional 23% of growth through 2030.
- There are several high quality TOD projects that are entering the marketplace. Fruitvale Transit Village, Rincon Hill/South Beach, Pleasant Hill BART Station, Mountain View, Downtown Hayward, Uptown Oakland, etc. The performance of these projects will frame the market's response to TOD for the next several years. Unfortunately, many of these first generation projects have required tremendous public financial support and have taken numerous years to be realized.
- Resolution 3434 has prompted a new wave of creative thinking and planning for TOD. Communities that in the past may have never considered TOD, are now actively exploring how they might take advantage of the

¹ *Hidden in Plain Sight: Capturing the Demand for Housing Near Transit*, reprinted with technical corrections, April 2005

confluence of trends, including tremendous transit investments, market demand for smaller housing products and community desires for high quality, pedestrian-oriented places.

Despite a new level of enthusiasm, there remain a number of challenges to implementing TOD at the scale envisioned by both Projections '03 and the Smart Growth Vision. This memo outlines several of those challenges as they apply to the Bay Area and identifies a set of effort that MTC could lead to build a solid foundation for success.

Implementation Challenges

Though each of the communities touched by the Resolution 3434 corridors must respond to different physical conditions and are often at different stages of planning for TOD, we found a number of overarching challenges:

- **Limited Vision for TOD and Few Measures of Success** – One of the most important steps toward successful TOD is for a community and the transit agency to agree on what types of TOD are appropriate at specific station locations; what that means in terms of land use, intensity of development and functionality; and finally, how to measure success. Many of the communities we engaged with were unable to articulate a coherent vision for TOD that fit with local physical and market conditions and had placed limited emphasis on expected outcomes and measures of success.
- **Insufficient Local Expertise in TOD** – Since the market for TOD has only recently emerged in the Bay Area, planning, design and development practitioners in the Bay Area have limited experience with transit-oriented development. Few practical models are available that show market-based strategies for planning, designing and financing development that takes advantage of its proximity to transit investments. And, these various practitioner networks are not linked, making interdisciplinary problem-solving difficult.
- **Few Incentives for Interagency Collaboration** – The Regional TOD Policy calls for the formation of Corridor Working Groups, yet there is little history in this region of communities planning across jurisdictional boundaries and even greater financial incentives to avoid such partnerships. While this task seems most appropriately led by the CMA's they have not yet incorporated land use analysis into their assessments of transit and transportation projects.
- **Limited Experience with Mixed-Use, Mixed-Income, Transit-Oriented Development Inside and Outside the Bay Area** – Though the Bay Area is starting to see good examples of development intentionally responding to transit, there are a plethora of lessons to be learned from cities within the Bay Area and other regions that have successfully focused on TOD and have a greater inventory of transit-oriented projects.
- **Challenges to Providing Affordable Housing** – The Bay Area's housing market is strong, and the portion of housing demand that is likely to be interested in locating near transit is also strong. However, strong market demand, combined with limited land supply has the potential to drive up prices and make low cost housing difficult to build in transit zones absent some form of market intervention. Though some communities adjacent to Resolution 3434 corridors have adopted inclusionary housing provisions, these ordinances are not in place in all jurisdictions and have widely varying rules and requirements.
- **No Central Resource for Development Models, Performance Research and Implementation Tools** – MTC's Commission has wisely avoided establishing region-wide standards for transit-oriented development and has recognized that within the Bay Area there are numerous policy documents aimed at promoting TOD. However, these various resources are not easily accessible by those charged with planning for and implementing TOD, and there has been no credible evaluation of their efficacy. Further, the resources that are available often do not look beyond planning to the real challenges of transportation demand management and development implementation.
- **High Parking Requirements are a Barrier to TOD** – Part of the underlying notion of TOD is that residents and visitors will have the option of travel without a car, thus lowering car ownership rates in TOD. Indeed, CTOD's analysis of existing residents in Bay Area transit zones confirmed that car ownership rates are indeed lower. However, many local codes don't allow reductions in parking and those that do are often ineffective because getting project approvals and/or financing for tighter parking ratios is difficult. As a result,

developers and consumers are not getting the price breaks from lower cost development reflecting less parking. And, the region is not getting the full transportation/land use performance it should reasonable expect from a TOD since they are over parked.

- **Fragmented Land Ownership Patterns and Lack of Suitably Sized Sites** – In urbanized parts of the region and in rapidly growing suburban corridors, parcels within walking distance of transit facilities are often small and owned by numerous property owners. In this climate, it is often difficult for a private-sector entity to assemble properties of sufficient size to deliver market-accepted development products.
- **Transit Stations Proposed for Sites that are Unlikely to Support TOD** – As is typical in many regions, transit facility alignments and station sites have been selected to maximize park-and-ride access, rather than walk-and-ride access. As a result, there are a number of planned station sites that are unlikely to result in significant opportunities for transit-oriented development.
- **A Short Term View of the Market** – The Bay Area's housing market is changing significantly as demographic shifts show an aging population and a population likely to want smaller, more location efficient housing options. Both public and private sector players have been slow to respond to this market. Further, in parts of the region where moderate and high density development products are as yet untested and where transit facilities are 5 to 10 years away, there is an understandable hesitancy on the part of developers and local jurisdictions to move forward with projects that fit the vision for TOD. However, investments along transit corridors made within the next 5 years are likely to set the tone for the foreseeable future.
- **Local Entitlement Processes Add Time, Uncertainty and Risk** – Though a few forward-thinking communities have already started down the path of planning for TOD, many of the communities touched by Resolution 3434 have not yet updated their general plans and zoning codes to support intensive, mixed-use, walkable development, nor has sufficient environmental review been provided to allow development to proceed as-of-right. Time and uncertainty add to developer's risk and thus are significant barriers to TOD.
- **Competing Objectives within and among Transit Agencies** – Transit agencies themselves are often torn between competing objectives, such as generating ridership and maximizing revenue. Indeed, in the case of BART, the desire to provide full replacement of on-site parking spaces and generate lease revenues from joint development make it very difficult for private sector projects to succeed financially. Further, as fixed transit service (BART, light rail, commuter rail, etc) become more reliant on high quality feeder bus service, the need to coordinate among agencies becomes a much higher priority.
- **Lack of Funds to Plan for and Implement TOD** – The proposed structure of the Regional TOD Policy calls for establishing corridor-level thresholds for housing and jobs, followed by the preparation of detailed development and implementation plans to ensure that the goals of the policy are indeed realized. However, there are few resources for either transit providers or local jurisdictions to undertake these planning efforts and provide necessary environmental clearances, much less help deliver the "place-making" elements that create value.

Recommended Efforts to Support TOD in the Bay Area

Successful TOD requires engaging a wide variety of stakeholders and responding to what is now an emerging market. The following are activities that MTC and its public and private sector partners could undertake to both promote TOD as a market-viable development pattern and build a stronger foundation for successful implementation of the Regional TOD Policy.

Regional Oversight, Coordination and Funding

- **Be Clear about Expectations** – To the extent possible, MTC's Regional TOD Policy and supporting materials should clearly describe expected outcomes for both Corridor Working Groups and Station Area Plans. Rather than prescriptive measures, these expectations should provide flexibility to local jurisdictions in terms of performance.

- **Ensure that All Stakeholders are at the Table** – The Corridor Working Groups are a vehicle for bringing the wide variety of stakeholders (local jurisdictions, County CMA's transit agencies, property owners and other private sector interests) together to create a commonly agreed upon vision for TOD and guide the implementation of that vision. CWG's should be in place before an analysis of carrying capacity and threshold measures are made. Further, applicants for Station Area Plans should be required to demonstrate that all key stakeholders are invested in a collaborative planning process before funds are released.
- **Fund Station Area Plans and Environmental Review** The draft Regional TOD Policy suggests that MTC direct a portion of its annual Transportation for Livable Communities grant funds toward preparation of Station Area Plans and Environmental Impact Reports for stations along the Resolution 3434 corridors. Once these plans have been prepared, funds would then be targeted toward existing station area.
- **Create a Package of Incentives for High Performing Corridors and Station Areas** – The Draft Land Use Policy is calibrated to ensure that at least a minimum level of development occurs within walking distance of transit stations in the region. Some corridors already meet these basic thresholds, though they do not yet meet the development levels envisioned by Projections '03. MTC's transportation and air quality commitments are predicated on the region at achieving or exceeding the growth targets of Projections '03. MTC should require all transit service improvements and extensions to demonstrate how they propose to meet or exceed Projections '03 and provide a package of incentives to help support those corridors that go beyond the minimum.
- **Focus Available Public Sector Financial Resources on TOD** – Since the region has set a high bar for focusing development near transit, these sites should be prioritized for use of public sector funds. A significant portion of capital, operating and planning funds from regional agencies should be targeted to transit-oriented development for the purposes of offsetting costs associated with delivering placemaking elements or mixed-income housing.
- **Create a Regional Land Assembly/Shared Parking Fund for TOD** – Since two of the most significant barriers to TOD are the challenges of assembling sufficiently large sites and reducing on-site parking requirements, MTC and its regional partners should consider creating a grantmaking and/or revolving loan fund that would support effort to assemble land in transit zones and construct shared parking facilities.
- **Task the JPC with Monitoring Progress and Periodically Recommending Refinements to the TOD Policy** – The JPC has sufficient representation from regional and local interests to provide on-going oversight of the Corridor Working Groups and Station Area Planning efforts. This body should be charged with tracking how well Resolution 3434 corridor efforts are proceeding and how difficult or easy it is for local jurisdictions to achieve the threshold levels. Periodically, the JPC should recommend refinements to the policy to MTC's Planning and Operations Committee (POC).
- **Track Progress and Performance**– The TOD study demonstrated the lack of sufficiently detailed data to monitor how well local jurisdictions are providing opportunities for and approving TOD projects. ABAG and MTC should be tasked with tracking and mapping land use planning efforts in transit station areas and regularly evaluating whether local plans for development are being achieved. This data should be formatted so that local planners and developers can easily identify development opportunities and researchers and other professionals can evaluate how well TOD is performing.
- **Generate and Support a Regional TOD Legislative Strategy** – A public/private effort should be created to develop and advocate for State and Federal Legislation that removes barriers to TOD, targets public funding to TOD and incentivizes TOD planning and development.

Create a Culture For TOD in the Bay Area

- **Create and Brand a TOD Colloquia** – Given the geographic and cultural diversity of the Bay Area and the relative lack of experience in TOD, there is a tremendous need to create and nurture a learning network of elected officials, city staff, developers and private-sector consultants. A TOD Colloquia, or some sort of clearly defined network, would help lend credence to the importance of building cross-jurisdictional relationships, learning from others successes and failures, and gradually raising the bar for development

near transit stations in this region. Such a network should involve a number of peer-to-peer educational opportunities, including informal networking, show-and-tell sessions of work in progress, lecture series with high profile speakers, policy and development roundtables that further the dialogue on implementation strategies, and TOD marketplace sessions where local jurisdictions can market development opportunities to private sector interests.

- **Recognize and Reward Success** – One of the best ways to demonstrate excellence is through an awards program. A Bay Area TOD Awards Program should be created that is guide by a prestigious board and assembles an annual jury of well-respected local and national experts in TOD.
- **Educate and Train Electeds and Practitioners** – Given the envisioned focus on TOD in this region over the coming 15 to 20 years and the tremendous public investment in transit and TOD planning, it would be wise to educate those involved in setting expectations for development near transit and those engaged in planning for TOD. At the outset of the Res. 3434 implementation effort, an introductory course should be developed that brings up-to-date information and case studies to planning, design and development practitioners. This TOD 101 course should involve both local and national experts. A similar course should be developed specifically for elected officials to help them understand the market dynamics, financial considerations and community benefits of TOD. However, to build a good consumers of TOD professional services, an additional set of educational sessions should be offered on the specific challenges of implementing TOD, such as crafting TOD codes, achieving pedestrian-oriented streets, retail strategies that avoid reliance on big-box, parking programs, and financing tools. These various programs should be offered on a regular basis through an identifiable entity, such as a TOD University.
- **Organize TOD Study Tours** – One of the best ways for local elected officials, planners, transit agency staff and developers to learn about both the opportunities and challenges of TOD, is to visit built places. Indeed, MTC has led several TOD tours over the past 12 months, which have allows stakeholders to experience successes and failures in this region. Indeed, lessons from these tours have informed the TOD Policy. TOD tours should be continued and extend beyond the Bay Area to other regions that have experimented with TOD.
- **Establish a TOD Best Practices Clearinghouse** A web-based library should be created that collects best practices, case studies, research and performance data on TOD in the Bay Area and nationally. This central clearinghouse would provide a one-stop-shop for local practitioners seeking cutting edge information on tools, techniques and methods for designing and implementing TOD. A particular focus in initial years should be placed on model zoning and form-based codes, parking case studies, development pro-formas, and value capture strategies.
- **Provide Technical Assistance** – While training programs and web-resources can provide a substantial foundation for local practitioners of TOD, there may be instances where more hands-on technical assistance is needed to solve very site-specific challenges. One strategy to meet this need would be to authorize a set of experts to provide on-call services to local jurisdictions that have received Resolution 3434 funds. Another approach would be to fund an “Ask the Expert” program that convenes on a monthly or quarterly basis.
- **Partner with Business and Philanthropy** – Private and charitable sectors have a tremendous interest in seeing the TOD policy succeed from environmental, equity and economic perspectives. Regional entities, such as the Bay Area Council, East Bay Community Foundation, the other community and national foundations in the region, should be approached as partners in this initiative.
- **Launch a Public Education Campaign** – While practitioners and elected officials can make a substantial impact on the amount and quality of development that occurs near transit, their success is dependent on a supportive public. Efforts should be considered to support “pro-TOD” advocacy organizations and initiate an advertising and media campaign that promotes the quality of life benefits of transportation options.